



European Mid-Market Monitor

Insights into European Private Credit

October 2026

Q3 2026 Delivers Strong Activity and a Robust Year-End Pipeline

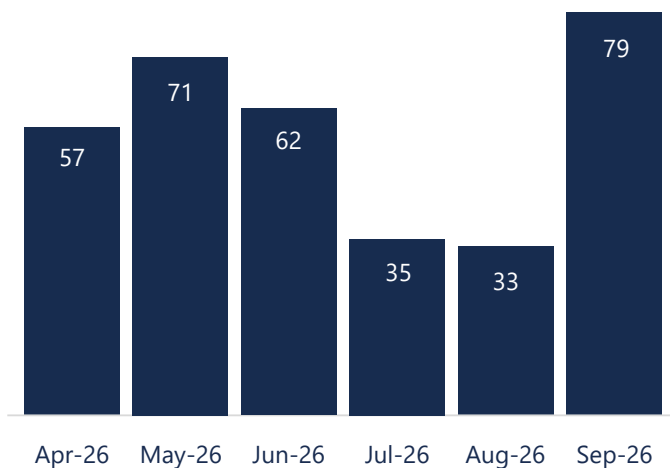
The momentum seen at the end of H1 translated into a strong Q3 with 13 direct lending deals completed, making it the most active quarter of 2026 and the busiest third quarter since 2022. New opportunities also accelerated into September, in line with the wider market: PitchBook | LCD estimates direct lending volumes for the quarter were the highest so far this year, supported by a pick-up in M&A alongside refinancing activity.¹ Against a challenging macroeconomic and geopolitical backdrop, with pressures ranging from energy prices and inflation to interest rates and equity market volatility, this strong deal flow has been achieved.

The mid-market continues to grow at a healthy pace, as evidenced by Pemberton's quarterly portfolio analysis. Heading into year-end, the pipeline is also expanding,² setting the stage for a positive Q4.

Direct Lending Deal Activity – Q3 2026³

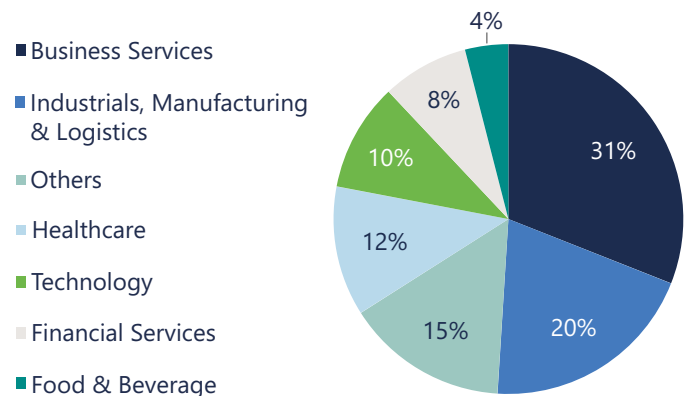
In Q3 2026, Pemberton completed 13 deals, comprising 10 new platform investments and 3 upsizing facilities to support portfolio companies' continued growth and complementary M&A. Market activity strengthened in September, reflecting a number of transactions starting ahead of year-end completion. Despite ongoing macroeconomic uncertainty, mid-market volumes remain stable, with deal flow distributed across a range of sectors and concentrated in defensive segments including Business Services and Industrials.

Direct Lending Deal Introductions



Source: Pemberton internal data as of Q3-26.

Introductions per Sector



Source: Pemberton internal data as of Q3-26, covering the last six months. Sectors as defined by Pemberton. Others includes sectors defined by Moody's: Consumer Goods: Durable, Consumer Goods: Non-Durable, Energy: Electricity, Hotel, Gaming & Leisure, Retail, Services: Consumer, Utilities: Electric, Utilities: Oil & Gas, Utilities: Water.

¹PitchBook | LCD European Private Credit Monitor September 2026.

²The opportunities do not present live deals. There is no guarantee that such opportunities will be pursued once full due diligence has been undertaken.

³Pemberton's direct lending funds include Mid-Market Debt (MDF), Senior Loan (SLF) and Strategic Capital (SCF). Past deployment is not a reliable indicator of future results.

Sector Focus – Business Services

Business Services is one of the broadest and most fragmented sectors in the European mid-market. It spans outsourced functions such as payroll, HR and facilities management, alongside testing, inspection and certification, compliance and regulatory services, environmental services and professional services. This breadth can bring a high degree of end-market diversification to a lender's portfolio, while the sector as a whole benefits from several shared structural tailwinds. Corporates continue to outsource non-core but essential functions to specialist providers. Growing regulatory complexity creates recurring, non-discretionary demand. And a large base of small, owner-managed providers makes the sector well suited to buy-and-build strategies.

Private equity activity reflects this appeal. In Roland Berger's European Private Equity Outlook 2026, Business Services & Logistics ranked second among the sectors expected to see the most PE M&A transactions this year, cited by 68% of respondents.⁴ Exit activity was also expected to add to deal flow. Forecasts at the start of the year pointed to more than 1,500 European sponsor-backed assets, worth roughly \$760bn in enterprise value, coming to market in 2026, well above the historical range of 700 to 800 a year, with Business Services among the sectors set to lead.⁵

Against this backdrop, Business Services is Pemberton's largest sector exposure and one of its most active areas of deployment.

As at Q2 2026, it represents 23% of the Direct Lending portfolio of 114 companies. It also continues to lead origination, accounting for 31% of the introductions the firm received over the past six months.

From a credit perspective, the appeal starts with the sector's economics. Business Services companies tend to be asset-light with low capital expenditure, so a high share of EBITDA typically converts into free cash flow. This matters to a lender, because strong and predictable cash generation helps a borrower to service its debt comfortably through the cycle.

The breadth of the sector is also visible within the portfolio. Although grouped under a single label, Business Services borrowers serve very different end-markets, ranging from testing and inspection for infrastructure and compliance services for financial institutions to outsourced payroll for SMEs, claims management for insurers, temporary placement and professional services. Their end-market exposure, competitive dynamics and customer bases have little in common. As a result, they respond to different economic cycles, and the performance of one says little about the performance of another. Rather than a concentrated bet, the sector can provide significant diversification across end-markets, geographies and customer types.

Looking ahead, Pemberton remains selective, but the sector continues to offer attractive opportunities for high-quality, cash-generative businesses with defensible market positions.

⁴Roland Berger, European Private Equity Outlook 2026, January 2026.

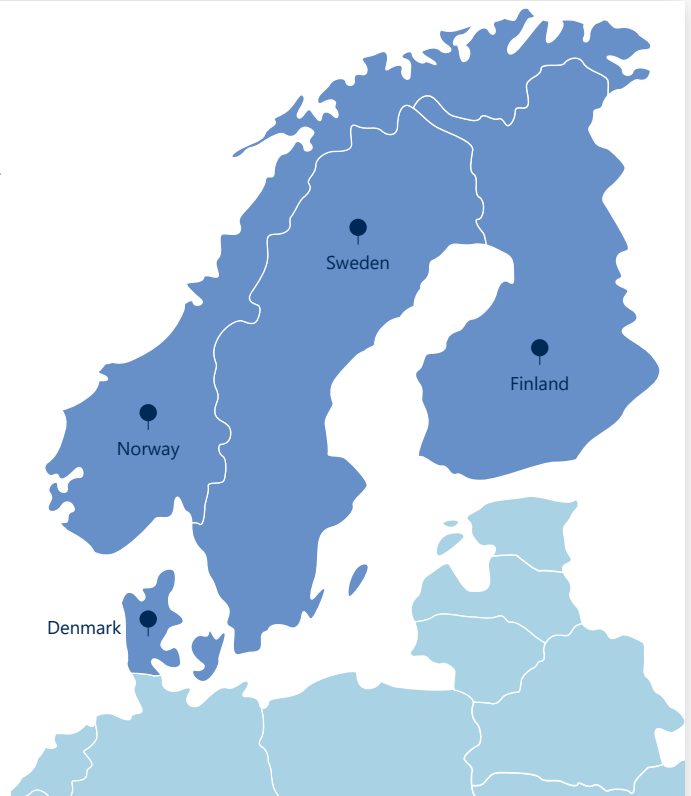
⁵Oliver Wyman, Top 10 Big Deal Trends That Will Shape European M&A in 2026, January 2026.



Regional Focus – Nordics

For this spotlight, we use ‘the Nordics’ to mean the four core markets of Sweden, Denmark, Norway and Finland. Although often treated as a single bloc, these markets are culturally and economically distinct, each with its own identity and growth trajectory. What unites them is a foundation of high national wealth, strong institutions and transparent legal frameworks. Projected GDP per capita for 2026 ranges from roughly \$60,000 in Finland to over \$100,000 in Norway, placing all four among the wealthiest economies in Europe.⁶

Their differences are clearest in where each country’s economic strengths lie. Sweden has a broad industrial base in manufacturing, automotive and machinery, alongside a globally competitive ICT and software sector. Denmark leads in pharma and life sciences, shipping and logistics, and wind and renewables. Norway remains anchored in oil and gas, maritime and seafood, with hydropower underpinning its energy supply. Finland pairs traditional strengths in forestry, paper and industrials with a growing presence in electronics and clean tech.



Each market is expanding at a different pace, with Denmark and Sweden both on track to outpace the 0.9% growth forecast for the euro area this year.⁷ Denmark posted the region’s strongest headline figure in 2025, at 2.9%, driven by strong export performance, and is expected to normalise to 1.9% in 2026. Sweden grew a steadier 1.5% in 2025 and is forecast to accelerate to 1.8% in 2026. For Norway, the relevant measure is mainland GDP, which strips out the petroleum sector. On this basis, Norges Bank expects growth to slow from 1.7% in 2025 to 0.9% in 2026.⁸ Finland remains the outlier, as output is forecast to edge up from a near-stagnant 0.2% in 2025 to just 0.8% in 2026, the slowest of the four but a recovery nonetheless.

Beneath these numbers sits a broad base of smaller, often owner-managed companies. Small and medium-sized enterprises make up the vast majority of Nordic businesses⁹, and many remain family- or founder-owned, so ownership transitions are driven as much by succession planning as by the economic cycle. This can make deal flow less dependent on macro conditions than in markets where sponsor volumes track GDP more closely. It has also drawn in outside capital: a 2025 survey of Nordic advisors found that 78% had seen an increase in cross-border M&A in the SME segment over the past five years¹⁰, as international sponsors and lenders look past their home markets for quality assets.

Nordic private equity had its second-best year on record in 2025 by deal value.¹¹ Much of this is incremental rather than new platforms: add-ons accounted for 63% of Nordic PE deals and more than half of capital invested,¹¹ a buy-and-build pattern that has carried into 2026¹² and that generates a steady flow of financing needs for lenders. Sweden is the largest market, accounting for around 40% of Nordic PE entries.¹³

Lenders are competing hard for that sponsor business. Nordic borrowers can choose between well-capitalised domestic banks, which remain willing to underwrite and hold large-ticket LBO financings, an active local bond market and a widening pool of direct lenders. At the top end, the €6.5bn unitranche arranged for Norway’s Adevinta in 2025 set a record for direct lending in Europe.¹⁴ Deals of that scale remain the exception, but they show how far the largest sponsor-backed businesses can now be financed entirely outside the banking system. As elsewhere in Europe, banks’ share of term loan financing has broadly declined.

⁶IMF, World Economic Outlook, April 2026.

⁷European Commission, European Economic Forecast (Spring 2026), May 2026. Also the source for Denmark, Sweden and Finland figures.

⁸Norges Bank, Monetary Policy Report 3/2026, September 2026.

⁹Nordregio, State of the Nordic Region 2024.

¹⁰Dealsuite, Nordic Dealmaker Insights 2025, March 2025.

¹¹PitchBook, 2026 Nordic Private Capital Breakdown, 6 March 2026 (data as of 31 December 2025).

¹²KPMG, Nordic Private Equity Market Update Q1 2026, April 2026.

¹³Gain.pro, The State of Nordic Private Equity Report 2025.

¹⁴Debtwire, 1H25 European Direct Lender Rankings, 2025.

In H1 2026, 20 sponsor-backed senior and unitranche financings were completed in the region. Sweden accounted for half of the deals, followed by Norway at 30%, with Denmark and Finland at 10% each. By deal type, add-ons made up 40% of activity, with refinancings/recapitalisations and new financings each accounting for 30%.¹⁵

Pemberton has built a dedicated Nordic franchise anchored by its Copenhagen office. The Nordics have long been a meaningful source of capital for Pemberton's funds, with local institutions among our established limited partners. The region is regarded by many lenders as one of Europe's most attractive lending markets on a risk-adjusted basis.

With solid growth in Denmark and Sweden, a large base of owner-managed businesses where succession will continue to prompt transactions, and borrowers increasingly open to international lenders, we expect Nordic deal flow to make a growing contribution to Pemberton's European direct lending through the remainder of 2026 and into 2027.

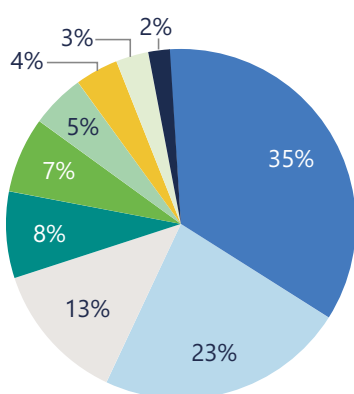


Direct Lending Portfolio Overview

Pemberton's Direct Lending portfolio with 114 portfolio companies continues to be well diversified across sectors and regions. Note that while we are a European-focused lender, some of our borrowers have global revenues as reflected in the chart. While Technology forms 18% of our portfolio, less than 1% relates to software exposure.¹⁶

Portfolio Companies by Region¹⁷

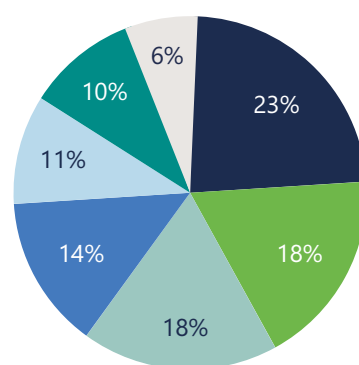
- Pan-Europe
- Global
- United Kingdom
- Spain
- Netherlands
- France
- Germany
- Italy
- Denmark



Source: Pemberton internal data as of Q2-26. Analysis is conducted on LTM revenue as of Q2-26. Chart data reflects region where portfolio companies generate majority of revenues (over 50%).

Portfolio Companies by Sector

- Business Services
- Technology
- Others
- Industrials, Manufacturing & Logistics
- Healthcare
- Food & Beverage
- Financial Services



Source: Pemberton internal data as of Q2-26. Sectors as defined by Pemberton. Others includes sectors defined by Moody's: Capital Equipment, Construction & Building, Consumer Goods: Durable, Consumer Goods: Non-Durable, Energy: Electricity, Hotel, Gaming & Leisure, Media: Broadcasting & Subscription, Retail, Services: Consumer, Sovereign & Public Finance, Transportation: Consumer.

¹⁵Houlihan Lokey, MidCapMonitor, Q2-26.

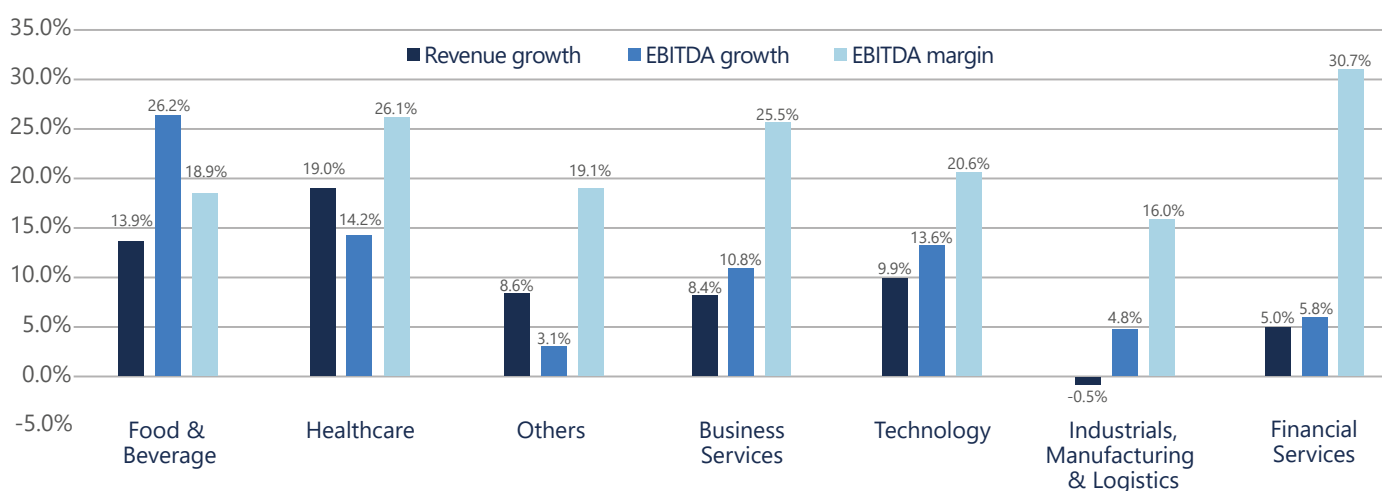
¹⁶Pemberton internal data as of Q2-26.

¹⁷Borrowers with more than 50% of revenues within the country where they are headquartered will be classified as within that specific country. Pan-Europe: Borrowers who have more than 50% of their revenues outside of the country in which they are headquartered but still largely within Europe. Global: Borrowers who have more than 50% of their revenues outside of Europe.

Sector Performance Q2-26 vs. Q2-25

The purpose of this chart is to illustrate mid-market sector performance in Europe. Since independent third-party data is unavailable, we have used a subset of our Direct Lending portfolio as a representative portfolio (68 companies)¹⁸. These companies are unaffected by M&A activity, turnaround and restructuring situations that we believe would distort the underlying picture and undermine the chart's purpose of reflecting genuine sector trends.

Year on year, sectors delivered positive revenue growth, ranging from modest gains to double-digit expansion, with Industrials, Manufacturing & Logistics broadly flat. EBITDA grew faster than revenue across the majority of sectors, led by Food & Beverage. Healthcare and Others were the exceptions, where EBITDA growth trailed revenue growth. Financial Services continues to exhibit the strongest average EBITDA margin profile at 31%, with other sectors ranging from 16% to 26%.

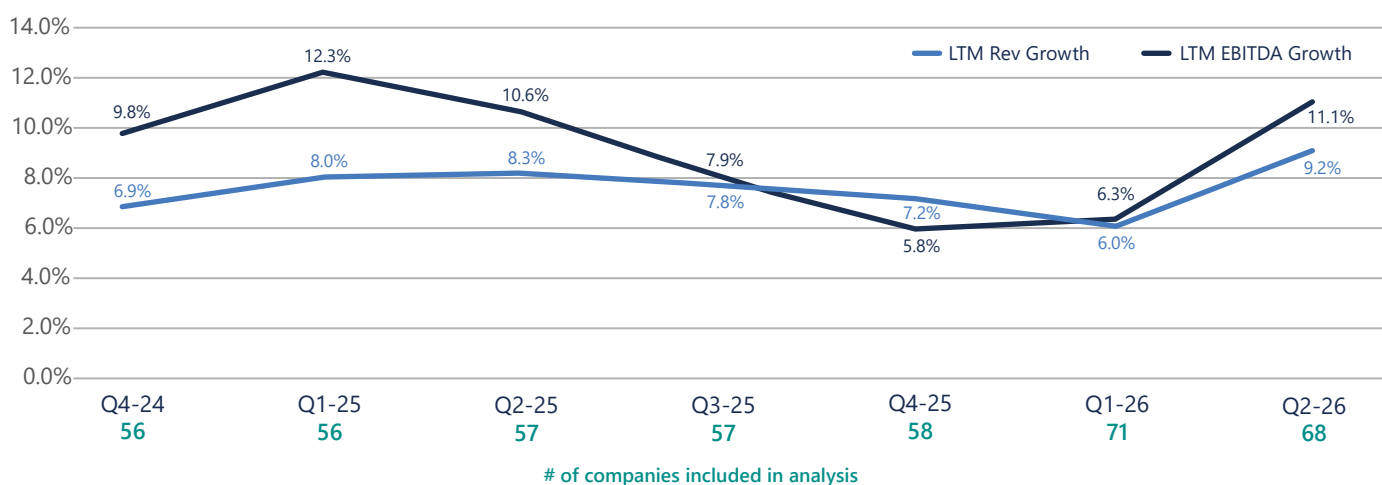


Source: Pemberton internal data as of Q2-26.

There is no guarantee that sector performance growth will be achieved in the future. Past performance is not a reliable indicator of future results.

Revenue and EBITDA Growth by Quarter

Mid-market companies, as represented by Pemberton's portfolio, have demonstrated healthy growth since the tracking of this metric began in Q4 2024.



Source: Pemberton internal data as of Q2-26.

There is no guarantee that growth will be achieved in the future. Past performance is not a reliable indicator of future results.

¹⁸Portfolio analysis is based on a sample size of 68 companies. The criteria exclude (i) companies with material M&A activity (financial data is not like-for-like or PF adjusted), (ii) turnaround situations (material growth due to underperformance in PY), (iii) names undergoing restructuring.

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